

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: May 16, 2007
POSITION: Oppose

BILL NUMBER: SB 121
AUTHOR: G. Romero
RELATED BILLS: SB 465 (Lowenthal)

BILL SUMMARY: Year Round School Capacity Exemptions

Current law increases a school district's capacity by the number of pupils the district is receiving funding for under the Year-Round School Grant Program. This bill would exempt districts that received year-round school grants in 2006-07 from this requirement. In addition, the school districts subject to this bill would be authorized to receive year-round grant funding for a period of three years after receiving a new construction apportionment utilizing the new construction eligibility retained pursuant to this bill. Finally, this bill would require these districts to demonstrate on an annual basis that the new construction eligibility retained is being used to construct projects to reduce year-round educational school sites.

FISCAL SUMMARY

This bill could create cost pressures of \$93 million and could set a precedent that may create pressure to make the provisions of this bill available to all multitrack year-round education (MTYRE) schools which would create additional cost pressures of hundreds of millions.

Additionally, the Office of Public School Construction indicates that the potential workload from this bill may require 2 additional positions and approximately \$150,000.

COMMENTS

Finance is opposed to this bill for the following reasons:

- This bill would result in significant new construction cost pressures that were not contemplated within the funding provided for new construction in Proposition 1D.
- This bill would only provide additional eligibility to the six districts that received year-round grants in 2006-07. It is unclear why these six districts require both year-round grants and School Facility Program eligibility when 68 other districts are operating under the same law and have chosen not to receive funding grants from the year-round grant program.
- There are other available avenues for MTYRE districts to reduce year-round school sites. Proposition 47 and 55 provided a total of \$4.1 billion for the Critically Overcrowded School Facilities Program. It will be another 1-3 years before the results of this program will be known. Chapter 710, Statutes of 2005 (AB 491) authorizes school districts with two or more overcrowded school sites to use an enrollment projection method to generate additional eligibility for new construction funds. In addition, Proposition 1D provides \$1 billion for replacing portable classrooms on severely overcrowded school sites.
- Any policy changes driving state assistance for school construction should be negotiated in context of a future bond bill.

Analyst/Principal (0341) T. Todd	Date	Program Budget Manager Jeannie Oropeza	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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ANALYSIS**A. Programmatic Analysis**

Current law provides annual operation grants under the Year Round School Grant (YRSG) Program for schools that operate multitrack year-round education (MTYRE) programs. Grant amounts are based on the percentage increase in capacity that results from MTYRE and the statewide average cost avoided per pupil as calculated by the State Allocation Board. These grants were intended to be an incentive for school districts to implement MTYRE in place of constructing additional school facilities. According to the Department of Education, in 2005-06 there were 74 districts operating MTYRE programs with a total enrollment of 700,141.

Current law also adjusts a school district's maximum school building capacity, for purposes of calculating unhoused pupils for the School Facilities program (SFP), by the number of pupils the district is receiving funding for under the YRSG program. This adjustment results in "lost eligibility" under the SFP. However, current law allows a district to receive a waiver from this adjustment if a MTYRE school site has a density of over 200 pupils per acre, located in a district with 40 percent of its pupils attending MTYRE schools.

This bill would exempt all districts that received year-round school grants in 2006-07 from increasing their school building capacity by the number of pupils the district is receiving funding for under the YRSG program requirement, which means the district would be eligible for SFP new construction grants and the year-round grants for the same pupils. According to the Department of Education, there are six districts that applied for year-round grants in 2006-07 that would be provided additional new construction eligibility due to the provisions in this bill. In addition, the six school districts subject to this bill would be authorized to receive year-round grant funding for a period of three years after receiving a new construction apportionment utilizing the new construction eligibility retained pursuant to this bill. Finally, this bill would require these districts to demonstrate on an annual basis that the new construction eligibility retained is being used to construct projects to reduce year-round educational school sites.

B. Fiscal Analysis

According to the most recent information available from the Department of Education for 2005-06, five of the six districts that would be affected by this bill received year-round grants for 7,019 students, which represents "lost eligibility" under the SFP. Pursuant to this bill, these 7,019 students would generate new construction eligibility from the SFP. According to the Office of Public School Construction, the average new construction state apportionment is \$13,216 per pupil, thus this bill would create cost pressures of \$93 million ($7,019 \times \$13,216 = \$92,763,104$). Information from 2005-06 is not available for the Los Angeles Unified School District (LAUSD). LAUSD has typically received the waiver on "lost eligibility" due to meeting the 200 pupils per acre threshold.

This bill could set a precedent that may create pressure to make the provisions of this bill available to all MTYRE schools. According to the Department of Education, in 2005-06 there were 74 districts operating MTYRE programs with a total enrollment of 700,141. Thus, if the provisions of this bill were applied to all school districts that were eligible to apply for year-round grant funding, this could create additional cost pressures of hundreds of millions.

Additionally, the Office of Public School Construction indicates that the potential workload from this bill may require 2 additional positions and approximately \$150,000.

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Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2006-2007	FC	2007-2008	FC	2008-2009	Code
6350/Facil Aid	LA	No	-----	See Fiscal Analysis	-----				6044
6350/Facil Aid	LA	No	-----	See Fiscal Analysis	-----				6057
6350/Facil Aid	SO	No	-----	See Fiscal Analysis	-----				6044
6350/Facil Aid	SO	No	-----	See Fiscal Analysis	-----				6057

<u>Fund Code</u>	<u>Title</u>
6044	School Facilities Fund, 2004 State
6057	School Facilities Fund, 2006 State